

# “Changing Landscape for Agriculture – Dare We Be Optimistic”

Aug 26, 2021

Ankush Bhandari

# Disclaimer

- **DISCLAIMER:** The Gavilon Group, LLC and any of its divisions, subsidiaries and/or affiliates (“Gavilon”) makes no representation or warranty as to the accuracy or completeness of any information contained herein and shall not be liable to any party under any circumstances for its reliance thereon. All information contained herein is for informational purposes only. Gavilon is not a fiduciary or advisor of any recipient and all usage or reliance by a recipient on the information shall be at the recipient’s sole risk and liability. The recipient agrees that no modification shall be made to the information without Gavilon’s prior written consent, including, but not limited to, removal of this disclaimer. Any disclosure by the recipient to a third party is at recipient’s sole risk and liability and recipient shall indemnify Gavilon for any third party claims arising against it from such disclosure.

# Key issues for the year ahead

- COVID-19 and its effects on various sectors
- South American Corn and Soy acreage prospects
- U.S. production
- Biofuels and upcoming renewable diesel
- U.S. share and timing of exports
- Large Speculator fund length
- Chinese appetite for grains and soy (ASF and Phase 1)
- Value of U.S. Dollar
- Acreage Mix

# US COVID infections, vaccines and booster shot

COVID-19

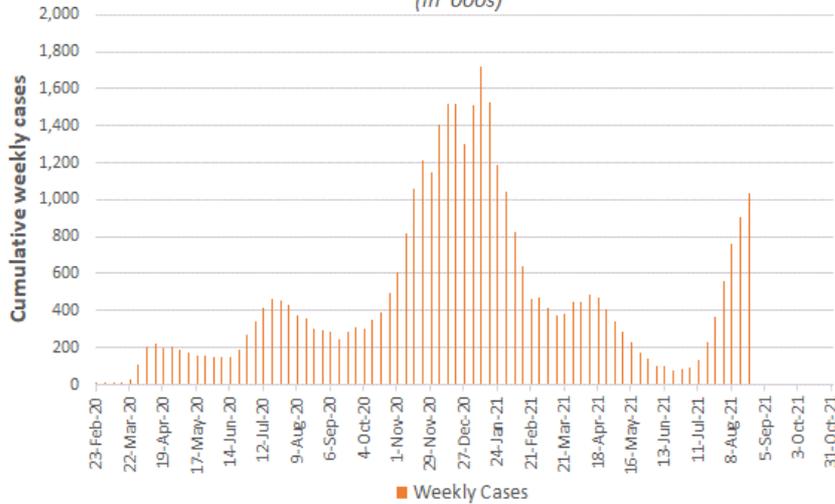


COVID-19



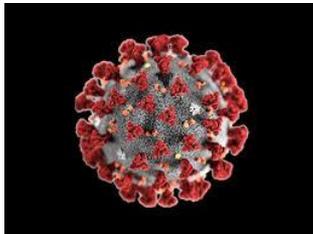
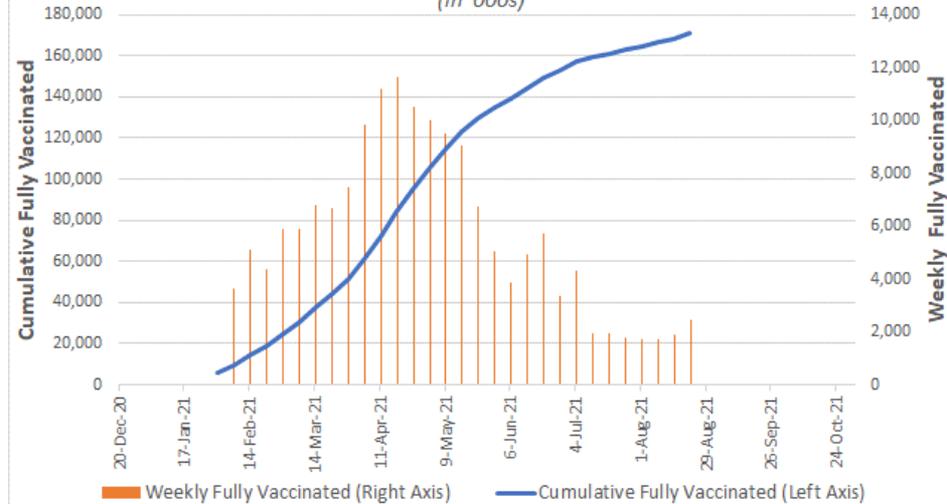
US COVID-19 Cases

(in '000s)

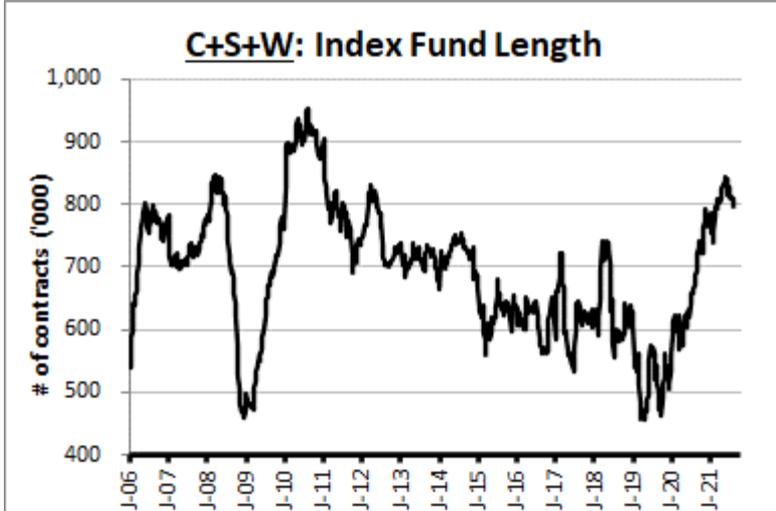
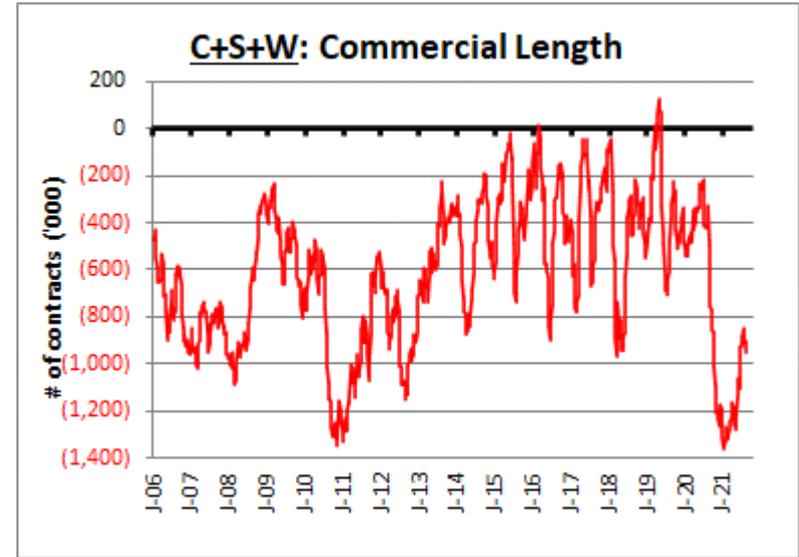
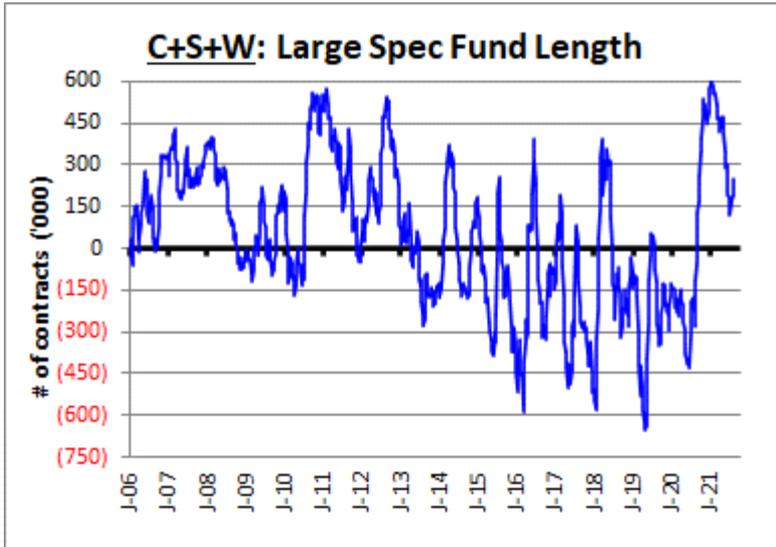


US COVID-19 Vaccinations

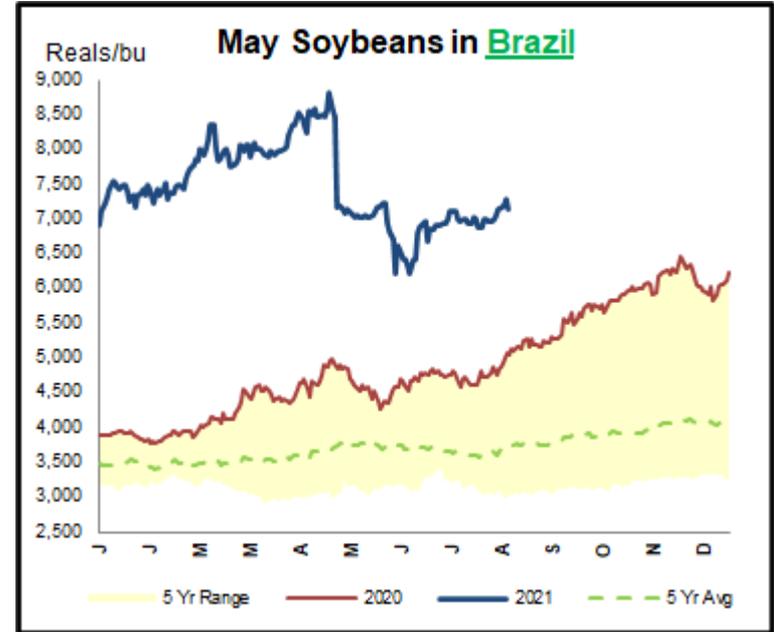
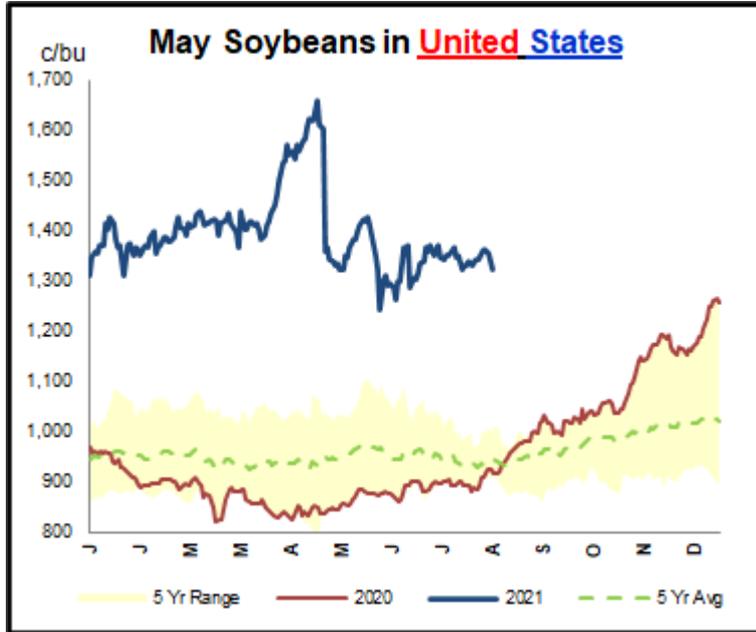
(in '000s)



# The large spec is LONG corn and soybeans

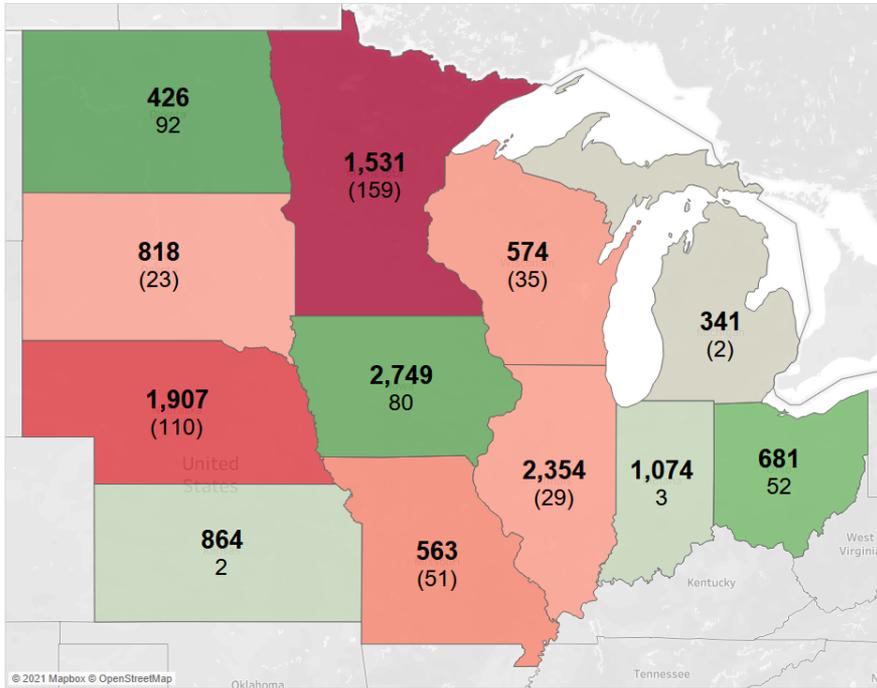


# Record soybean prices in US and Brazil

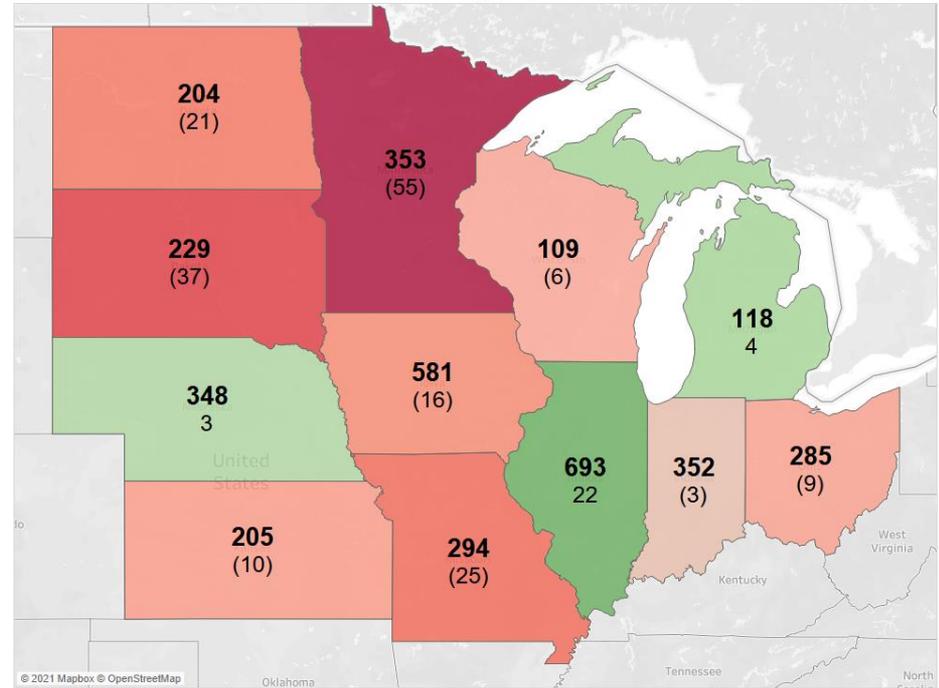


# Varied supplies of corn and soybeans by state

Forecasted '21/22 Corn Total Supplies (mbu)  
YOY Change



'21/22 Soybean Total Supplies (mbu)  
YoY Change

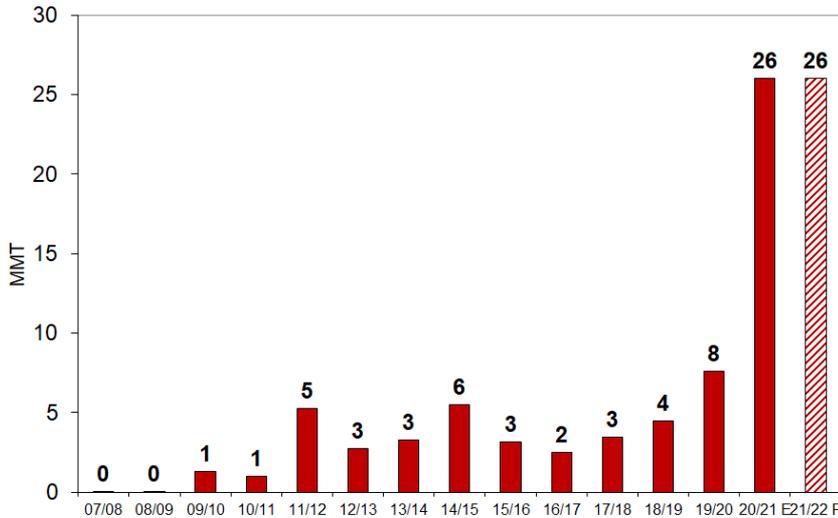


# How many million metric tons of corn and soy will China import?

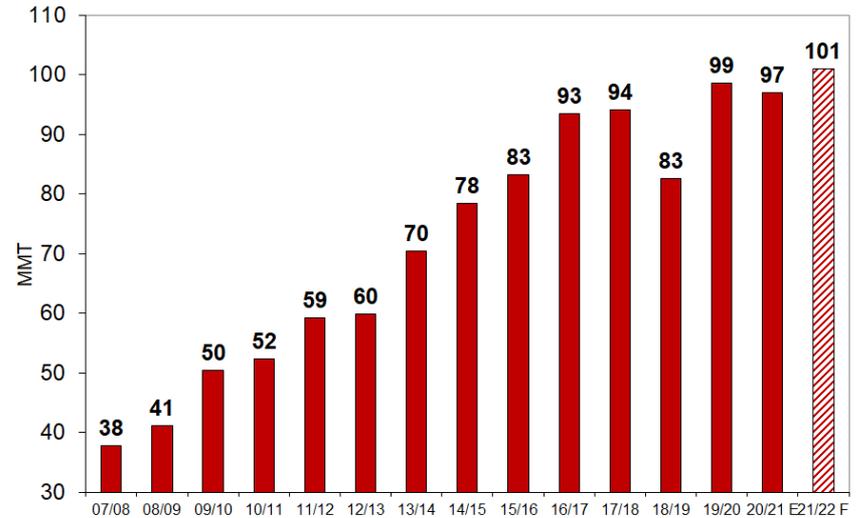
Phase  
1

Corona  
Virus

China Corn imports from all sources



China Soybean imports from all sources



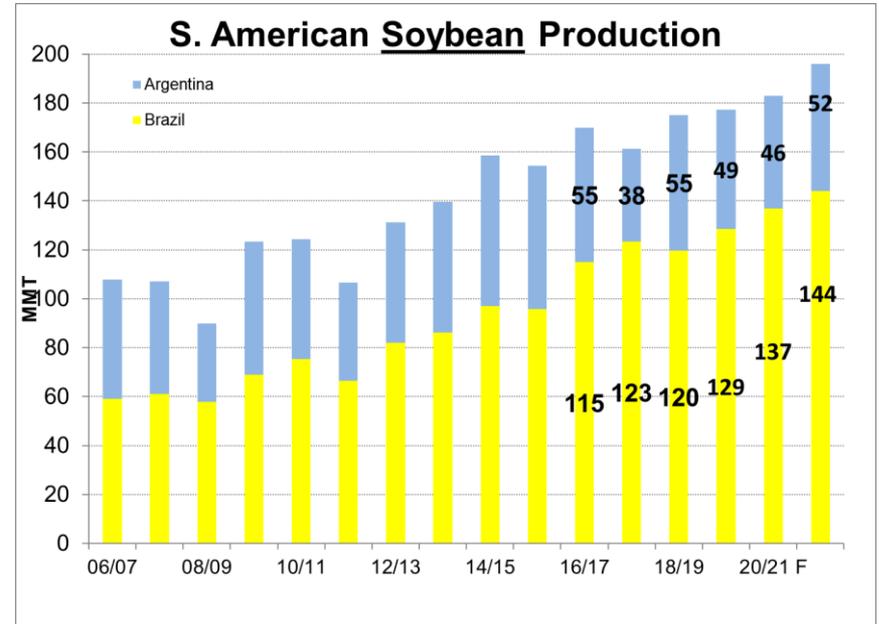
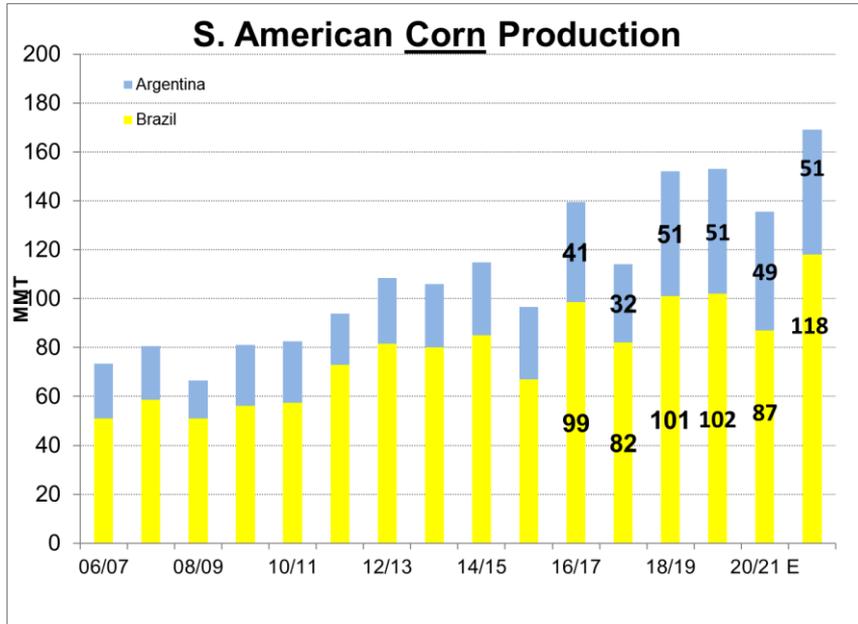
ASF  
issue



Bigger  
Brazil  
crop

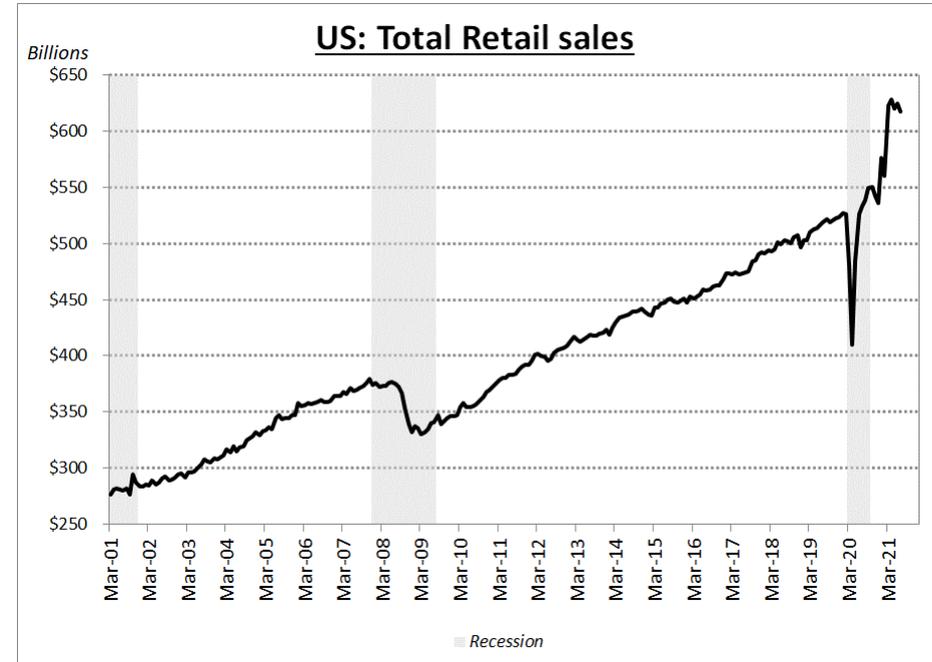
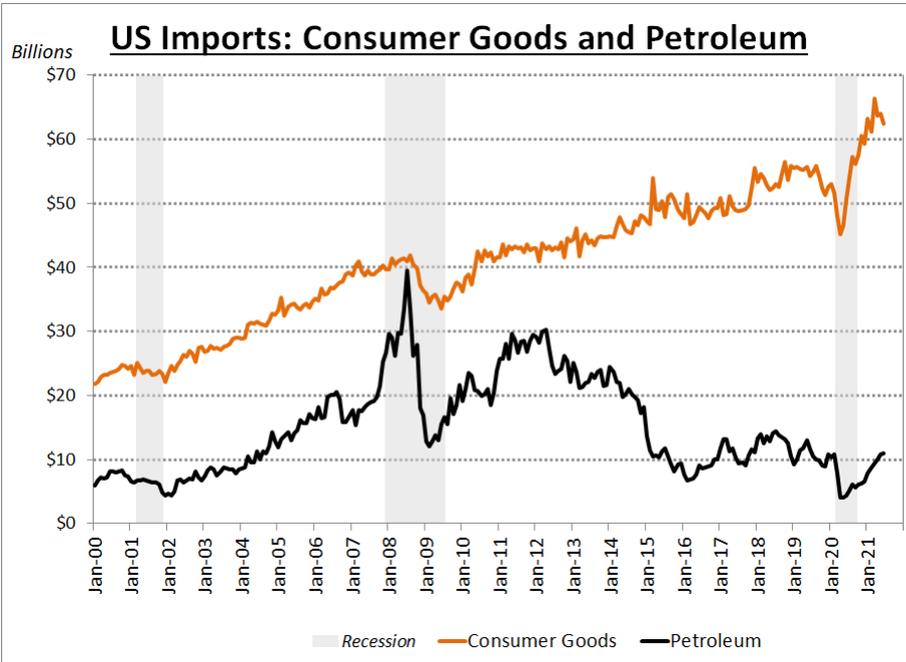
# South American corn production DOWN drastically led by Brazil

## South American soy production continues at record levels

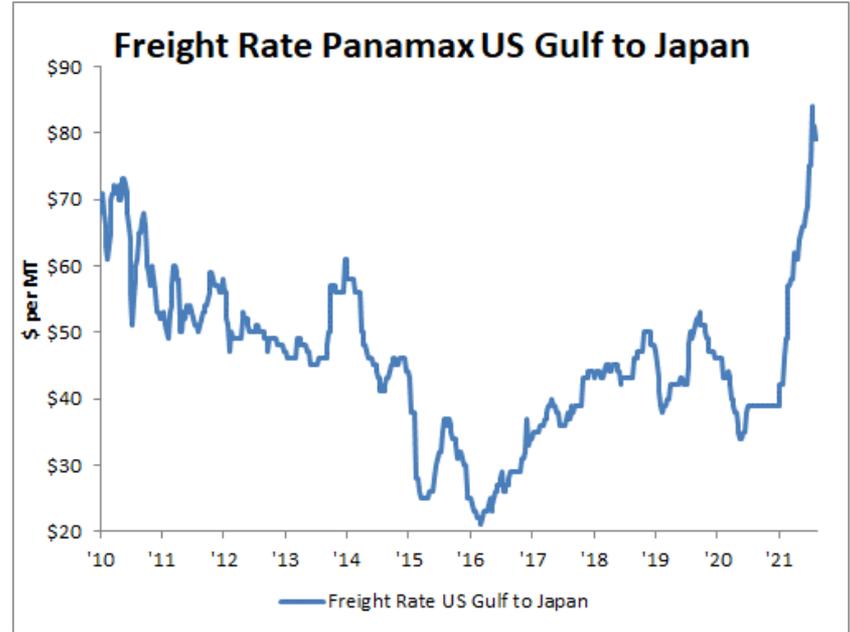


2021/22 F = Harvest in Spring and Summer of 2022

# Record US Retail sales help fuel imports of consumer goods to “elevated” levels



# Record ocean freight rates



**Bloomberg**

Markets

## Dry Bulk Shipping Costs Soar and the Rally Looks Set to Continue

By [Damian Shepherd](#) and [Alex Longley](#)  
August 23, 2021, 12:05 PM CDT Updated on August 23, 2021, 6:01 PM CDT

- ▶ The cost of moving raw materials has soared to an 11-year high
- ▶ Rates are surging as ships are tied up in ports and congestion

**Most Read**

BUSINESS

## Are you shipping me?!? \$32,000 container move from China to LA

Shippers jockey for limited vessel space, but some companies are getting priced out of the market for international freight transportation

## Rising Tide Continues to Lift Baltic Dry Index

**Reuters**

**TRANSPORTATION**

## Cass Freight Index: U.S. freight volumes return to pre-pandemic levels in July, costs go higher

PUBLISHED THU, AUG 12 2021 7:17 AM EDT | UPDATED THU, AUG 12 2021 8:50 AM EDT

**Bloomberg**

Business

## U.S. Container-Ship Bottleneck Lurches Near Its February Record

## SHIPPING-FLATION?

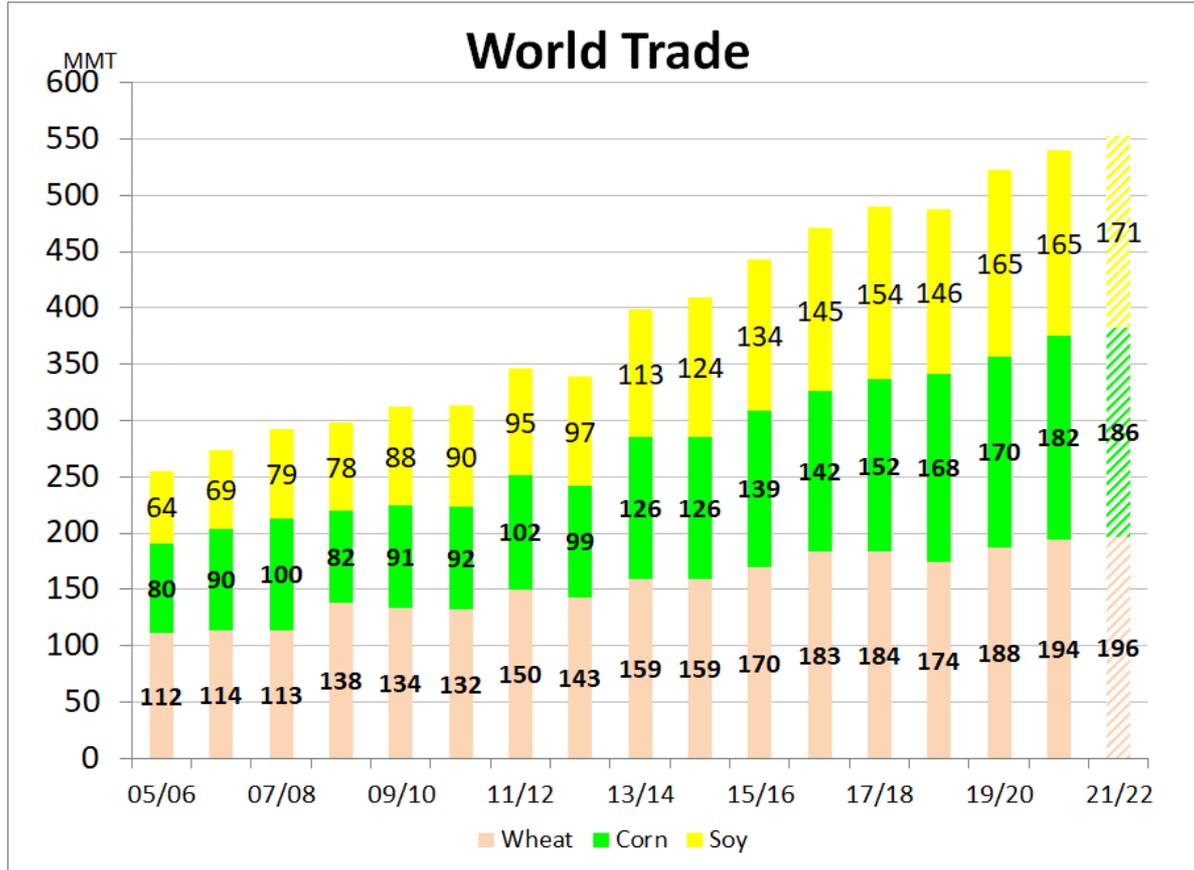
BERNSTEIN ANALYST ON RISING COSTS

- Railroads best positioned to pass on rising costs
- Larger, well-capitalized companies in a strong position
- Labor shortage is key to rising costs

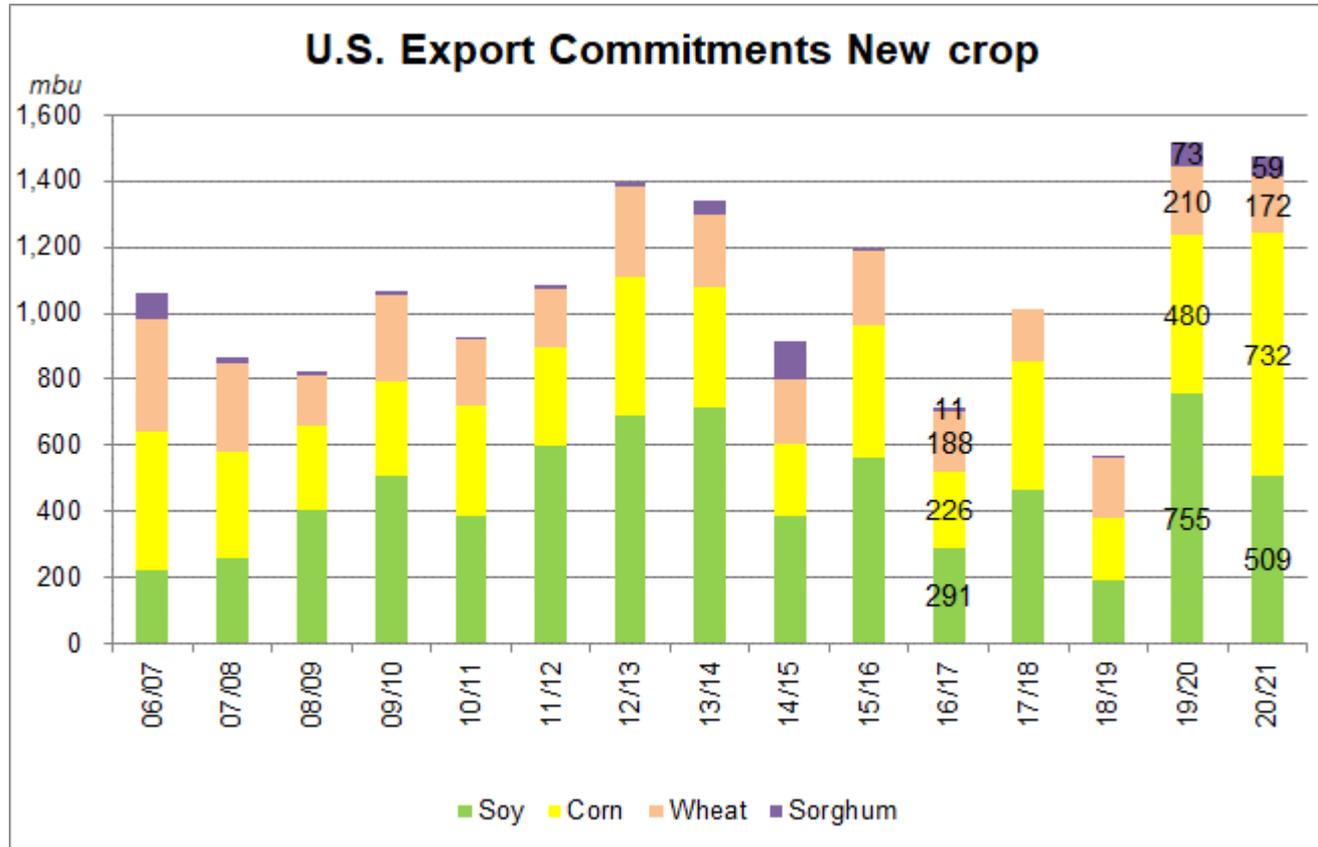
**POWER LUNCH** | **INFLATION NATION**  
SHIPPING COSTS SURGE

CNBC

# World trade of Wheat, Corn and Soy forecast to grow by 12 MMT YoY

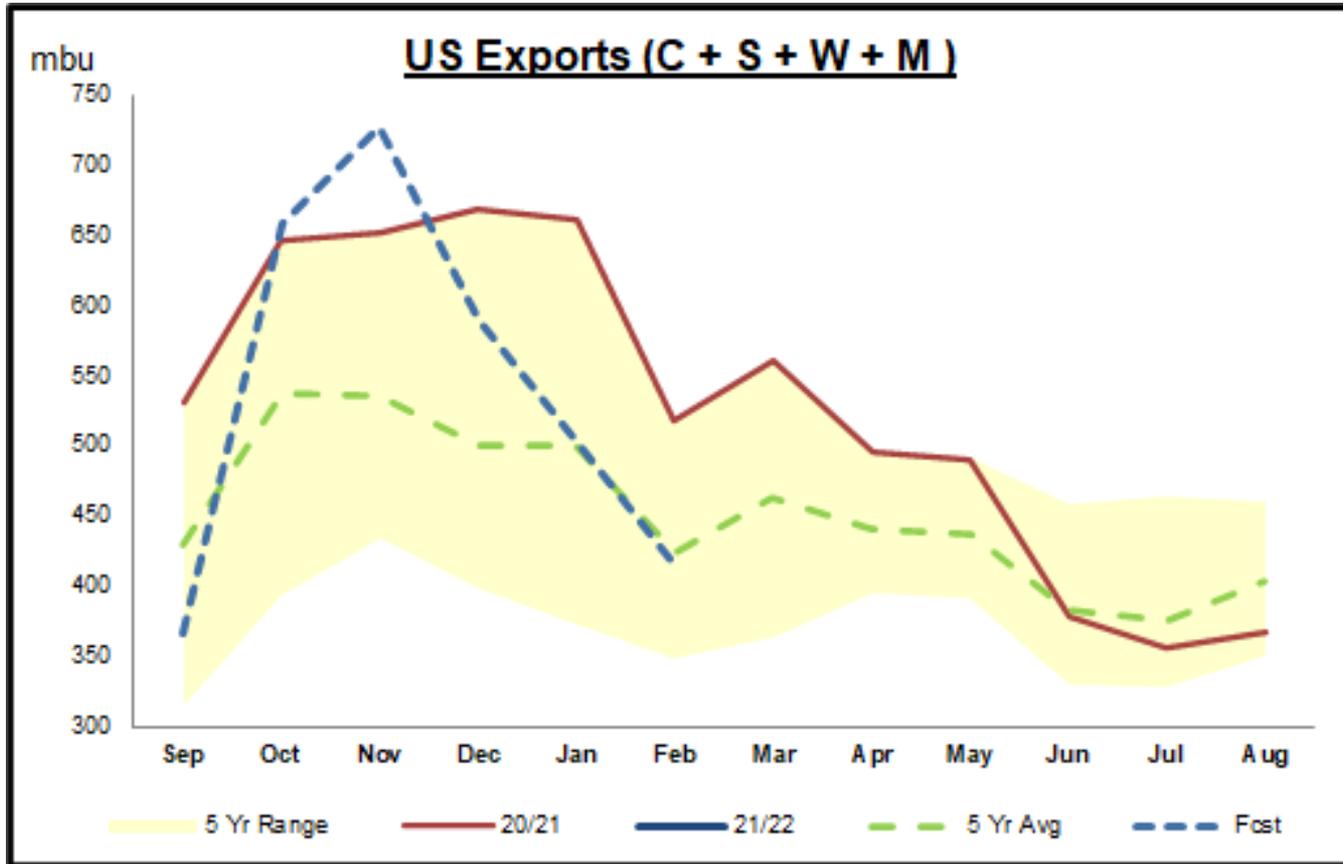


# The US export open book near record levels led by Corn

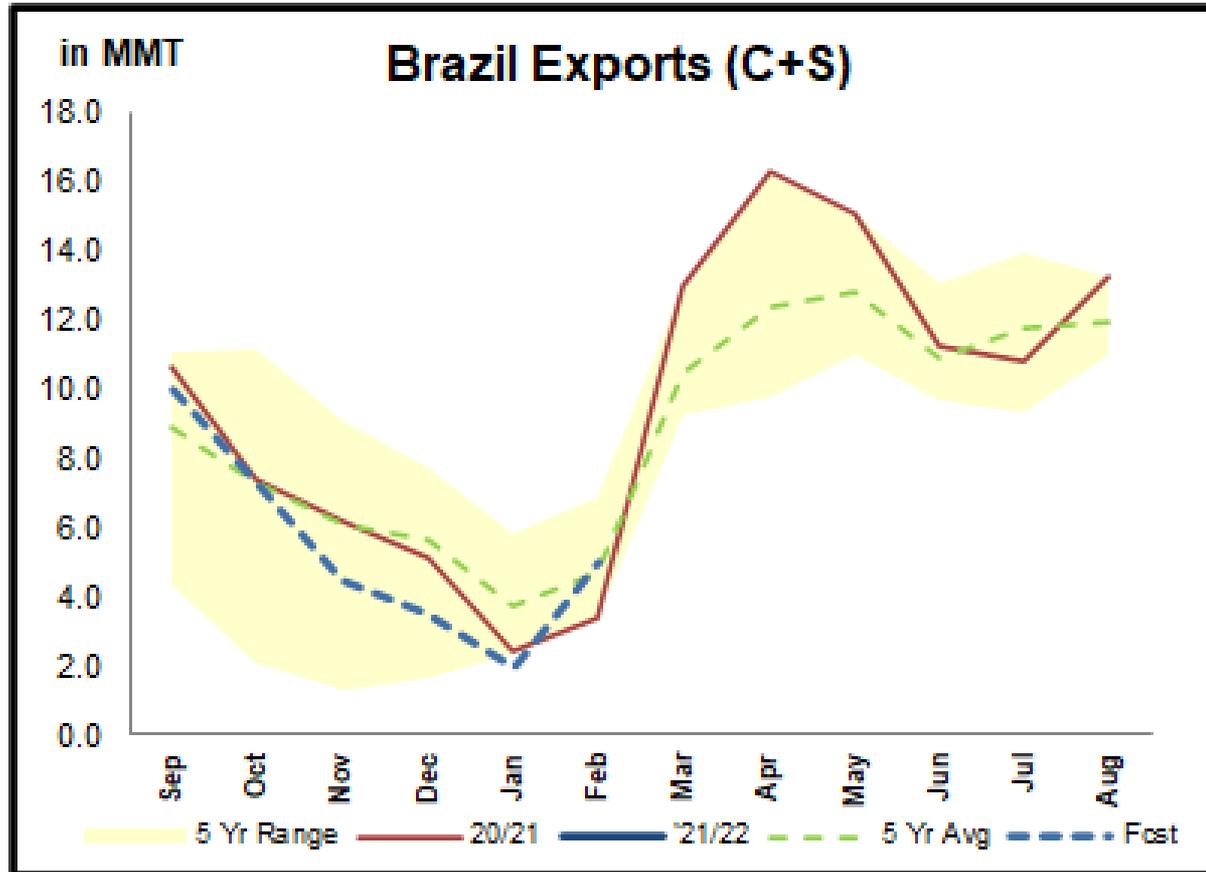


# US exports to ebb starting in Early Jan 2022

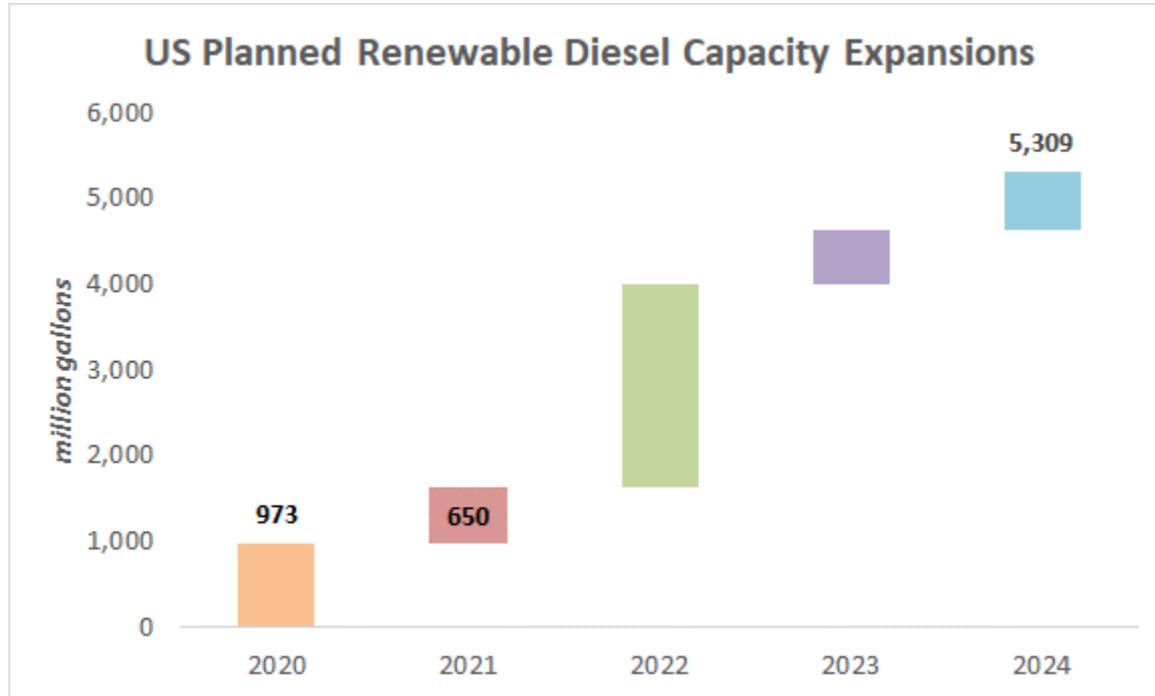
- So. American production and harvest pace along with China buying pattern to dictate flows



# Brazil exports forecast to remain below YA in the 1<sup>st</sup> half owing to smaller corn supplies



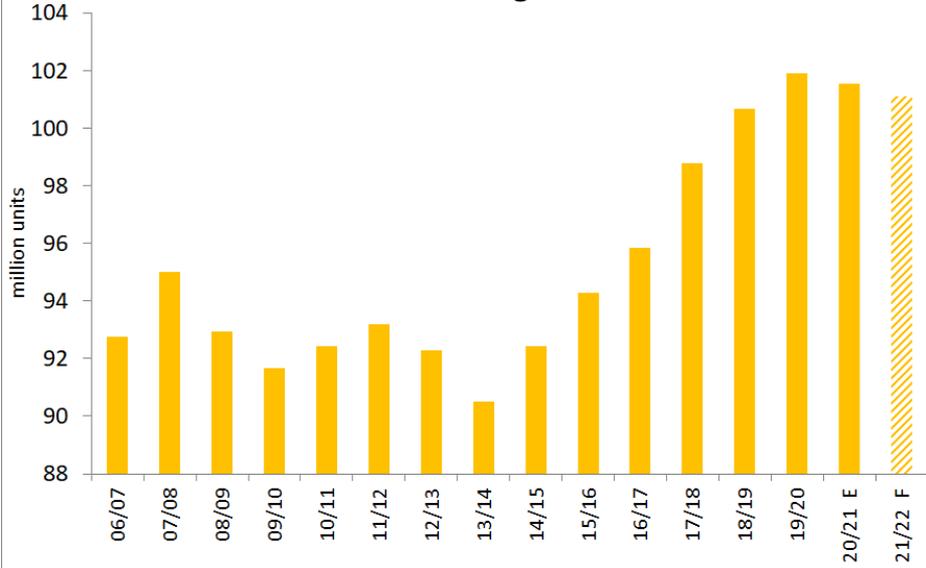
# Renewable Diesel production capacity set to increase by 6X to 5300 million gallons by year 2024



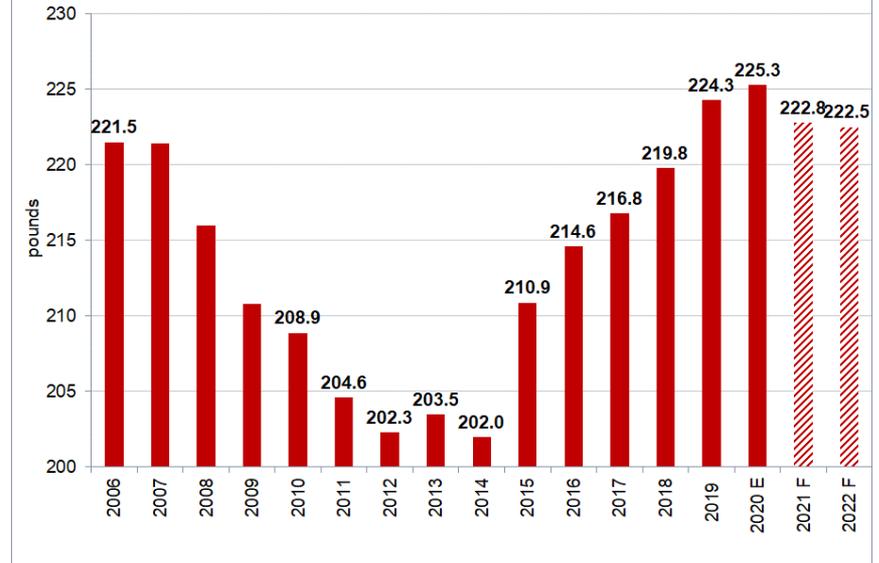
*It takes ~8 lbs of Fats and oils (F&O) to produce a gallon of Biodiesel (FAME or NERD)  
Current US F&O Production is 49,000 m. lbs with 25,000 m. lbs of SBO*

# U.S. Grain consuming animal units to decline marginally

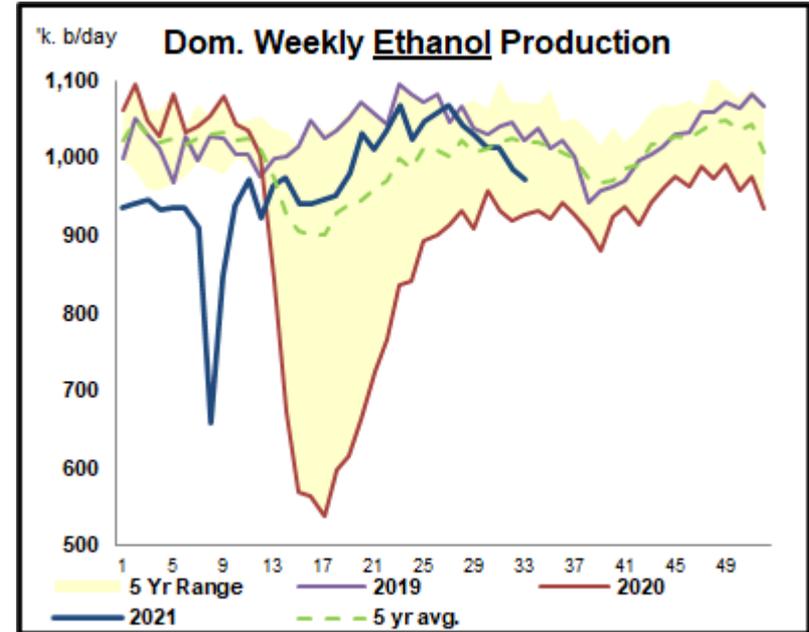
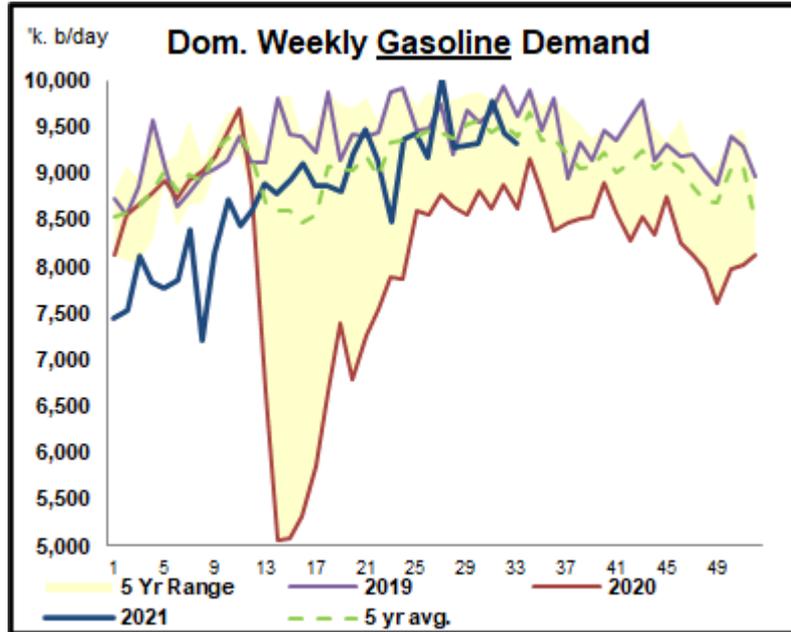
U.S Grain Consuming Animal Units



US per capita meat consumption

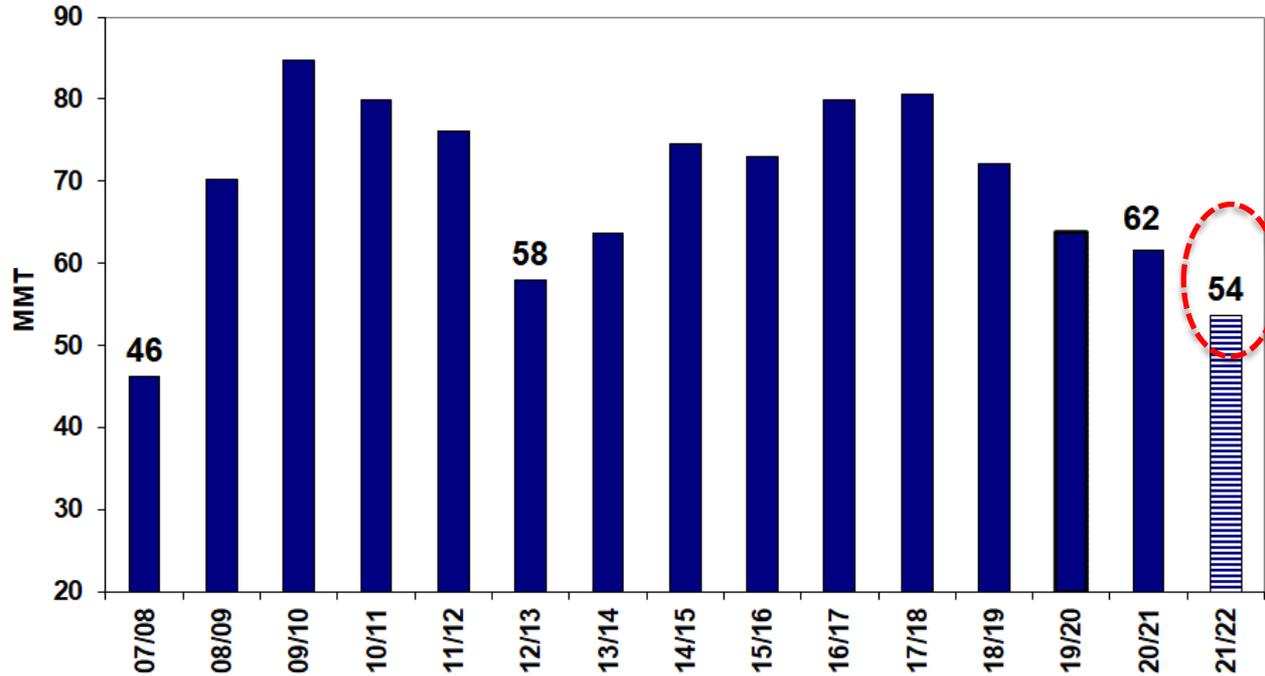


# US Gasoline demand continues to lag YA albeit by a smaller gap Work from Home (WFH) has been a drag on commuter demand



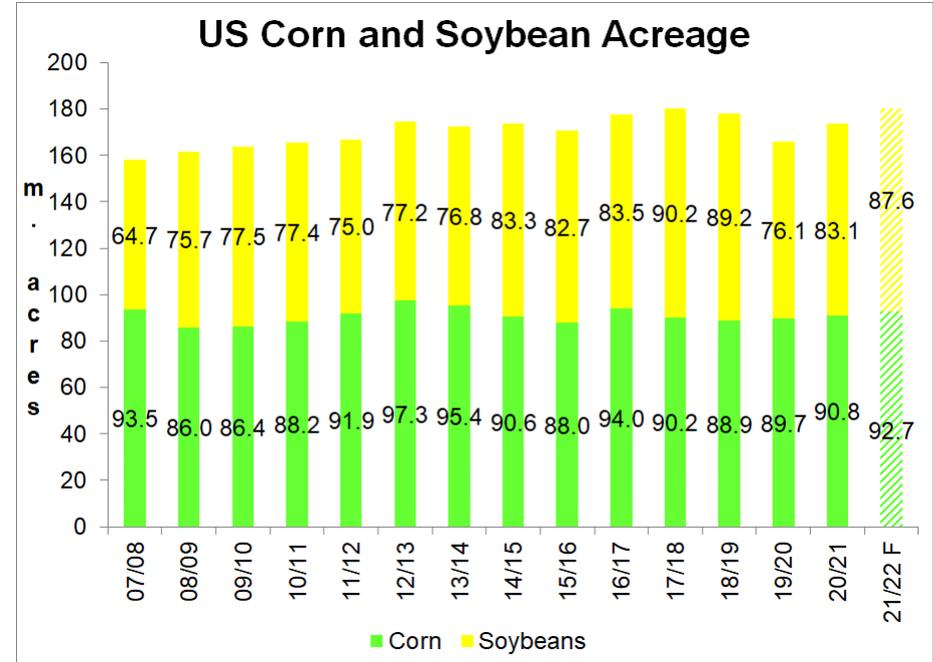
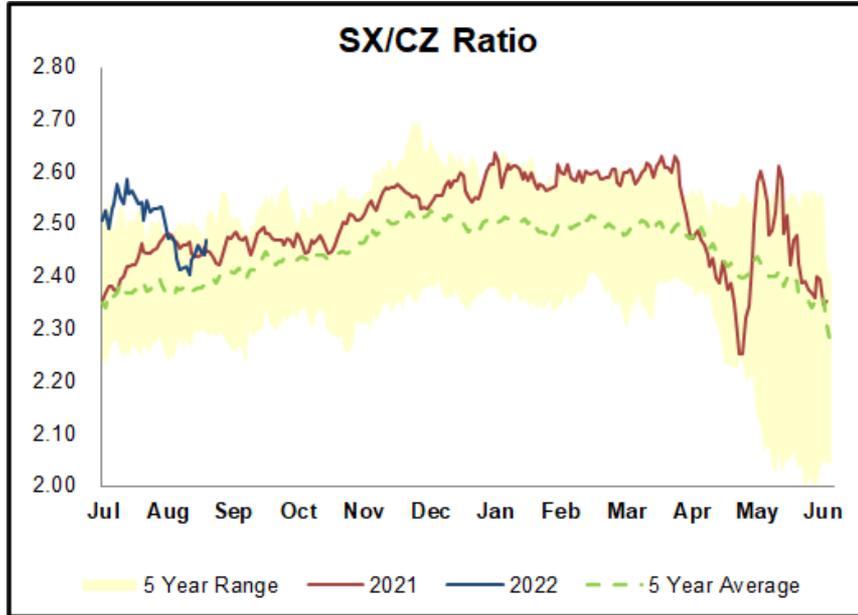
# Major Exporter ending stocks being drawn down to very LOW levels

## Major Wheat Exporter\* Ending Stocks

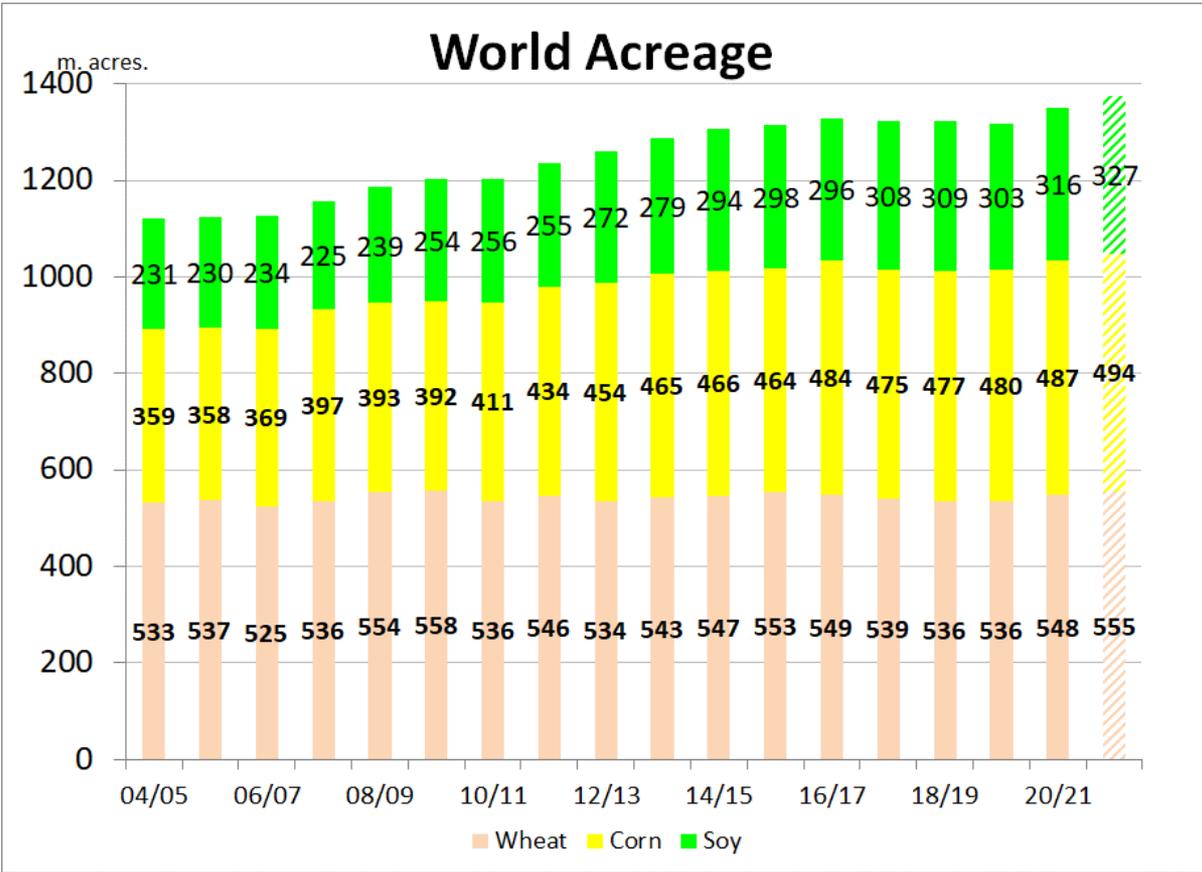


Major Exporters = US, Canada, Australia, Argentina, EU 28 and FSU-12

# The market will look forward to record corn + soybeans acres in Spring 2022



# How will world acreage respond to the higher grain prices?



# Summary and Takeaways

- COVID-19 situation and vaccine seem to be a big DRIVER for the Economy
- Large Speculator remains LONG positions led by corn
- Critical U.S. weather behind us, but size of U.S. row crops still to be KNOWN
- RECORD South American corn crop being AWAITED by the importers
- HIGHER Brazilian soy supplies this Fall to be a headwind for US exports
- Producer sales have caught up and end-user is very HAND TO MOUTH
- World trade for Corn and Soy and Wheat to be a RECORD in 2021\_22 led primarily by China
- Acreage battle LOOMING in Spring 2022

Thank you!

Questions and Answers